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Superfund Financial Management And Recordkeeping

Guidance For Federal Agencies





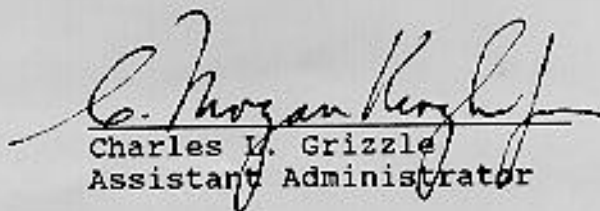
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
ADMINISTRATION
AND RESOURCES
MANAGEMENT

To EPA's Federal Partners In The Superfund Program

Prior to the reauthorization of the Superfund legislation in 1986, we undertook an extensive program to enhance EPA's cost recovery effort. Our first emphasis was to get our own financial cost documentation in order. Having successfully reached that objective, we believed it necessary to reach out to the States and other Federal Agencies who were facing the same problems we experienced.

One significant step in that "Outreach" program is concluded with the issuance of this document. As Superfund clean-ups are completed over the next few years, cost recovery from Responsible Parties will become an ever more important and complex responsibility. The effective approach to document Superfund costs offered in this document recognizes the independence of each Federal Agency, yet permits us to achieve consistency in the way we approach cost recovery. It is for this reason that we believe this document will provide you with valuable guidance as you plan to participate in future cost recovery actions.


Charles W. Grizzle
Assistant Administrator

Superfund Financial Management And Recordkeeping

Guidance For Federal Agencies

Cover photo
Big Bend National Park, Texas
by George Jett

The policy and procedures set forth herein, and internal office procedures adopted pursuant hereto, are intended solely for the guidance of attorneys and other employees of the U.S. Environmental Protection Agency and for other Federal Agency personnel with Superfund-related responsibilities. They are not intended to, nor do they constitute, rulemaking by the Agency, and may not be relied upon to create a right or benefit, substantive or procedural, enforceable at law or in equity by any person. The Agency may take any action which is at variance with the policies or procedures contained in this guidance, or which is not in compliance with internal office procedures that may be adopted pursuant to these materials.

Contents

I. Introduction

A. Purpose	1
B. Scope	1
C. Intended Audience	1
D. Structure	3
E. Reference	3
F. The Legal Basis For Cost Recovery	3
1. General Legal Requirements	3
2. Records Required To Document Expenditures	4
3. Requirements For Documents Submitted As Evidence	4
4. Testing Of Agency Expense Records In Litigation	5
G. An Overview Of Cost Documentation Objectives	5

II. Financial Management Guidance

A. Overview	11
1. Superfund Financial Management Objectives For Federal Agencies	11
2. Accurate Site and Activity Specific Cost Information	11
3. Complete Site and Activity Specific Cost Information	11
B. Guidance	12
1. Superfund Accounting Objectives	13
2. Accounting For Direct Costs	15
3. Accounting For Indirect Costs	15
4. Superfund Reporting Requirements	15
5. Accounting For Superfund Property	15

III. Recordkeeping Guidance

A. Overview	16
1. Agency Superfund Recordkeeping Objectives	16
2. Inability Of Non-Centralized Recordkeeping Systems To Meet Superfund Recordkeeping Objectives	16
3. Active Site Filing	17
4. Recordkeeping Planning	17
B. Guidance	18
1. Establishing Site Files	18
2. Records To Be Retained In Site Files	18
3. Reconciling Site Files	22
4. Storage Media And Record Safety Procedures	22
5. Record Retention Requirements	23

Appendices

A. Agency Legal Responsibilities	24
B. Where To Go For Further Information	26
C. Audits	28

Index

Index	30
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I. INTRODUCTION

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) established the Hazardous Substance Response Trust Fund (Superfund) to provide monies for the identification, prioritization, and remediation of the nation's uncontrolled hazardous waste sites. CERCLA, as amended by the Superfund Amendments and Reauthorization Act of 1986 (SARA), provides for the recovery from responsible parties of all response costs incurred by the Federal Government. Response costs generally include expenses for investigatory, cleanup, enforcement and administrative activities.

The resulting need to document costs by site to facilitate Superfund cost recovery actions creates a complex set of financial management and recordkeeping problems. By pulling together all Superfund financial management and recordkeeping guidance for Federal Agencies in a single, comprehensive presentation, this handbook is designed to help Agencies receiving Superfund monies to understand and meet their site-specific financial management and recordkeeping responsibilities.

In addition to the cost recovery responsibilities described herein, Agencies receiving Superfund IAGs face certain reporting requirements imposed by Congress. Under CERCLA Section 105(f), EPA is required to include in its annual report to Congress information on its and other Agencies' use of minority contractors for Superfund work. Further information on how Agencies should provide this information to EPA can be obtained from EPA's Office of Small and Disadvantaged Business Utilization (703-557-7777).

A. PURPOSE

This handbook serves several purposes:

- Establishes consistent and complete guidance covering Federal Agency Superfund objectives in two areas:

- Financial management of Superfund expenditures
- Recordkeeping necessary for cost recovery
- Acquaints Agencies with some of the legal aspects of the Superfund cost recovery program
- Provides guidance on where to go for further information.

B. SCOPE

This handbook summarizes Superfund financial management and recordkeeping guidance for Federal Agencies participating in Superfund Interagency Agreements with EPA (see Exhibit I-1 on the following page). Because it applies to a broad range of Federal Agencies, it focuses primarily on how Agencies can develop financial management and recordkeeping systems that satisfy EPA cost recovery documentation needs. The handbook provides a conceptual understanding of EPA's financial management and recordkeeping objectives, so that Federal Agency managers have a framework for developing their own procedures to meet those objectives. In no way does this document suggest that costs incurred prior to the adoption of the guidelines presented here may not be recoverable. In addition, this document contains an overview discussion of several legal concepts; however, any analysis of law contained in this guidance is necessarily general and does not and is not intended to constitute binding interpretations of law by the Agency.

C. INTENDED AUDIENCE

This handbook was written with the widest possible audience in mind. It is intended for all Federal Agency personnel with Superfund-related responsibilities, including staff outside the Superfund program area who may have an important cost documentation role (for example, staff in an Agency's comptroller's office).

Agencies Participating in Superfund Interagency Agreements

Department of Health and Human Services
Agency for Toxic Substances and Disease Registry
National Institute for Environmental Health and Science

Federal Emergency Management Agency

Department of Transportation
U.S. Coast Guard

Department of Justice

Department of the Interior
Bureau of Reclamation

Department of Labor
Occupational Health and Safety Administration

Department of Commerce
National Oceanic and Atmospheric Administration

Department of Defense
Army Corps of Engineers
Navy

Department of Agriculture

Library of Congress

ACTION

National Aeronautics and Space Administration

D. STRUCTURE

The handbook is divided into three chapters and three appendices. The remainder of this chapter explains the legal framework for cost recovery actions, and provides an overview of EPA's financial management and recordkeeping objectives for Superfund. Chapter two details Federal Agency financial management guidance for the Superfund program. Chapter three provides guidance on the maintenance and retention of supporting Superfund cost documentation - time sheets, travel vouchers, contractor invoices, technical progress reports, explanations of fringe benefit and indirect cost calculations, and other records - in individual site files.

Appendix A, "Agency Legal Responsibilities" provides information on what types of documentation and assistance agencies are expected to provide during litigation of a cost recovery case. Appendix B, "Where To Go For Further Information" is discussed below. Appendix C, "Audits" provides Agency managers with information on audits of Superfund expenditures.

E. REFERENCES

While this handbook is intended to be the primary source of Superfund financial management and recordkeeping guidance for Federal Agencies, other EPA manuals and directives contain procedural guidance and background information on many of the topics discussed here. Appendix B is designed to help Agency managers determine which reference materials cover the topics in which they are interested.

Federal Agency managers should not limit themselves to consulting reference materials. EPA regional staff, or Headquarters if necessary, should be consulted for clarification or further detail on EPA objectives. EPA Headquarters staff will work with regional staff to fully answer any questions from Federal Agencies on the topics discussed in this manual.

F. THE LEGAL BASIS FOR COST RECOVERY

The primary purpose of the financial management and recordkeeping objectives described in this handbook is to facilitate Superfund cost recoveries. Tax revenues, plus recoveries from responsible parties, are the main sources of funds for cleaning up hazardous waste sites, and the amount of money that can be raised through taxes is of course strictly limited. Recoveries have the potential of playing a major role in replenishing the Superfund, thereby providing funds for additional clean-up work.

It is important for administrative and program managers as well as their staffs to understand the legal principles underlying the cost recovery objectives outlined in this text. Management should review all Superfund financial management procedures to assess whether the expense documentation their system produces satisfies the standards outlined in this section.

The remainder of this section is divided into five parts. The first part provides an overview of CERCLA cost recovery cases, and explains the role of cost documentation in the cases against the responsible parties. The three following parts detail the specific requirements that may have to be met in cost recovery cases. The final part of this section explains briefly how the government's expense claims are tested in litigation, a topic covered in more detail in Appendix A. Examples are provided throughout to illustrate the legal issues involved.

1. General Legal Requirements

In order to pursue a CERCLA cost recovery action against a responsible party, the government generally must be able to show, from a cost documentation standpoint, two points: *first*, that the government did work at the site to remedy or prevent a release of a hazardous substance; and *second*, that the government can accurately docu-

ment the cost of the remedy or prevention. This handbook will focus on the documentation a Federal Agency may have to provide to EPA and Department of Justice attorneys during a recovery action to successfully prove the cost of the remedy.

2. Records Required To Document Expenditures

Over the course of work on a site, a Federal Agency may incur costs in several categories: direct labor by the Agency's personnel, travel, supply and equipment costs, contractor costs, construction costs, and administrative and overhead ("indirect") costs. An Agency may have to demonstrate four points about each category of cost to sustain EPA's cost claims in court:

- That the work or purchase was *authorized* by the Agency.
- That the work or purchase, or portion thereof to be paid for, was *received and accepted*.
- That the Agency was *billed* for the work or purchase.
- That the Agency actually *paid* for the work or purchase.

Together, these four points establish the "history" of an expense item.

Clearly, demonstrating all four of these points for each type of expense would require supporting records from various sources. A detailed list of what types of records should be retained for each category of expense is provided in chapter three; the aim of this section is to provide Agency personnel with an understanding of *why* specific documents should be kept. To illustrate the four requirements, some examples are provided below:

Contractor costs may require extensive documentation. In order to demonstrate that the

contractor's efforts were *authorized*, a copy of the contract should of course be retained. But in this case, the Agency's authorization process begins with a Request For Proposal (RFP) and detailed evaluations of contractor bids; consequently, these should also be retained. Similarly, proving that the agreed-upon work was *reviewed and accepted* requires not just the Agency's final sign-off on the contract, but also technical progress reports detailing contractor activity at each stage of the project. Copies of contractor invoices satisfy the requirement for *billing* records, while records showing payment dates, amounts and reference or check numbers would be required to demonstrate *payment* of invoices.¹

Employee labor costs are somewhat easier to document. Specific written employee assignments to a site are not required, since a supervisor can support employees' *authorization* to perform the work. Timesheets can provide proof of the remaining points under most circumstances. The timesheet, which is similar to the vendor's *bill*, is the Agency's evidence documenting *payment*, as long as any subsequent corrections are attached. The signature of the employee and the employee's supervisor generally should be used to *certify* that hours on the timesheet were spent working on the site.

3. Requirements For Documents Submitted As Evidence

To be admissible as evidence in court, each document submitted as evidence to support costs claimed by a Federal Agency must meet a number of legal requirements generally specified in the Federal Rules of Evidence. These legal requirements, designed to ensure the authenticity and reliability of evidence, are as follows:

¹ An Agency's contractors may be required to provide documentation demonstrating *authorization*, *completion*, *billing* and *payment* for their own expenses, such as salaries, supplies and equipment, subcontractors and so on. See chapter three for details on documentation requirements for Agency contractors.

- The document must have been produced at roughly the same time as the expense was incurred.
- The document must be produced and utilized in the normal course of business.

In addition, to have the document admitted as evidence, an Agency witness may be required to testify to the authenticity and reliability of the document.

4. Testing Of Agency Expense Records In Litigation

A cost documentation package submitted by a Federal Agency in a cost recovery action may be challenged by lawyers for the responsible party if any of the standards described above are not met. Opposing counsel can question Agency personnel under oath on Agency recordkeeping, financial management, procurement practices and any other topics relevant to the lawsuit. They may be able to require Agency managers to respond to written questions on these subjects. In addition, they may be able to examine all supporting expense records to search for inaccuracies, inconsistencies or other documentation flaws. Appendix A provides further information on the kinds of inquiries an Agency may have to respond to in litigation, as well as Agency responsibilities for assisting government lawyers in their handling of a cost recovery case.

G. AN OVERVIEW OF COST DOCUMENTATION OBJECTIVES

This section provides a systematic overview of all the financial management and recordkeeping objectives discussed in this handbook. The term "systematic" applies because successfully meeting EPA's Superfund objectives in these areas requires coordinated action by staff in several functional areas over a long period of time. In order to initiate and maintain this kind of closely-coordinated ac-

tivity, staff and management need to be able to view specific objectives as part of a larger process.

The focus of this section is a four-page exhibit depicting a hypothetical or "model" financial management and recordkeeping system that meets all EPA Superfund-related objectives, with an emphasis on cost documentation for successful cost recovery actions. The system depicted in the exhibit is not "the answer" to meeting the objectives presented in this handbook. There is no one answer applicable to all Federal Agencies; each Agency has developed or will develop its own system, according to its own management, structure and internal procedures. The aim of the exhibit, and of this section, is simply to start managers thinking about financial management and recordkeeping objectives in a systematic way.

Six "functional areas" are used in the exhibits which follow page 6: Legal, Contracts Administration, Program Office, Recordkeeping, Accounting Operations, and Paying Agent. In many Agencies, several of these functions will be housed within the same organization. For example, the "Program Office" and "Contracts Administration" may well be part of the same group. Or, "Contracts Administration" and "Accounting Operations" could be separate offices under the Agency's comptroller's office. Whatever organization they are part of, each of the six areas is likely to have a different primary supervisor, and hence is treated as a separate function.

Activities in the financial management and recordkeeping model presented here generally occur in three phases, which are described below. Cost documentation is the "thread" which joins all three phases, since cost documentation activities begin the moment an IAG is executed for work at a site and do not end until work is finished and the Interagency Agreement is closed out. The three phases of activity are described below.

1. *Initiation* describes the initial steps taken when work (other than a preliminary assessment)

begins at a site. Exhibit I-2(a), the first of the four exhibit pages, outlines the initiation phase.

2. *Ongoing Activity* represents the day-to-day financial management and recordkeeping activities that take place during work at the site. Phase two is depicted in Exhibit I-2(b) and I-2(c), the second and third exhibit pages.

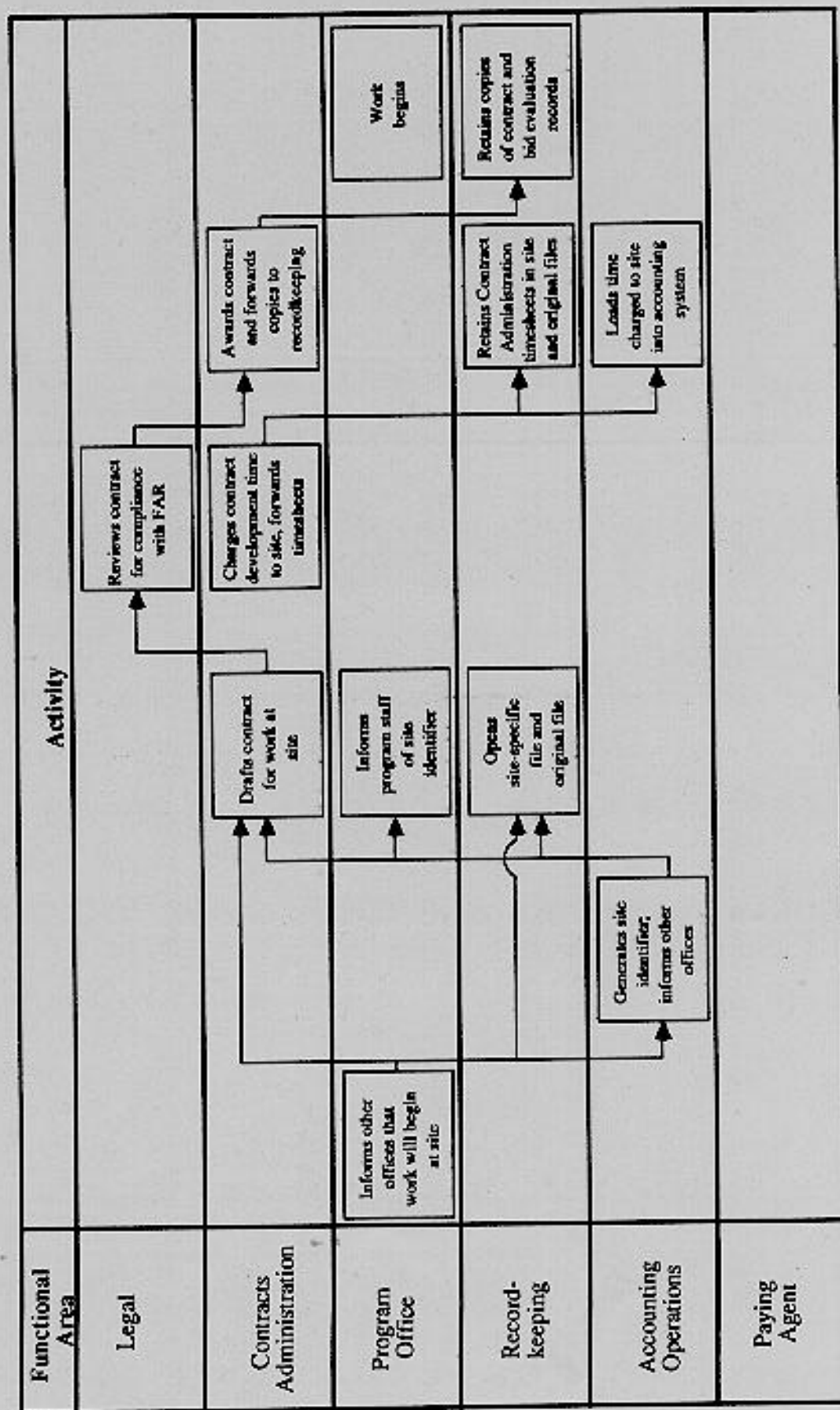
3. *Cost Documentation Package Preparation* begins when Agency program managers receive a request from EPA or the Agency's own legal staff for a package detailing Agency expenses at the site. The key document in a cost documentation package is an up-to-date summary of costs. This summary, which should break out costs by category (salaries, travel, supplies and equipment, contracts, etc.) goes in the front of the package. The rest of the package is divided into sections containing supporting documentation for each of the cost categories listed in the summary. Reconciliation of all the expense records in each section to the cost summary is the final step in the preparation of a cost documentation package. No cost documentation should be submitted to legal staff until the expense records in the package reconcile *exactly* with the cost summary. Exhibit I-2(d) on the fourth exhibit page describes the process of preparing a cost documentation package.

Of course, the activities described in the following exhibit fall out from specific guidance detailed later in this handbook. Readers may want to return to the exhibit after they have read the remainder of the handbook; initially, however, they should focus on trying to look at Superfund financial management and recordkeeping functions as an interrelated cost documentation system.

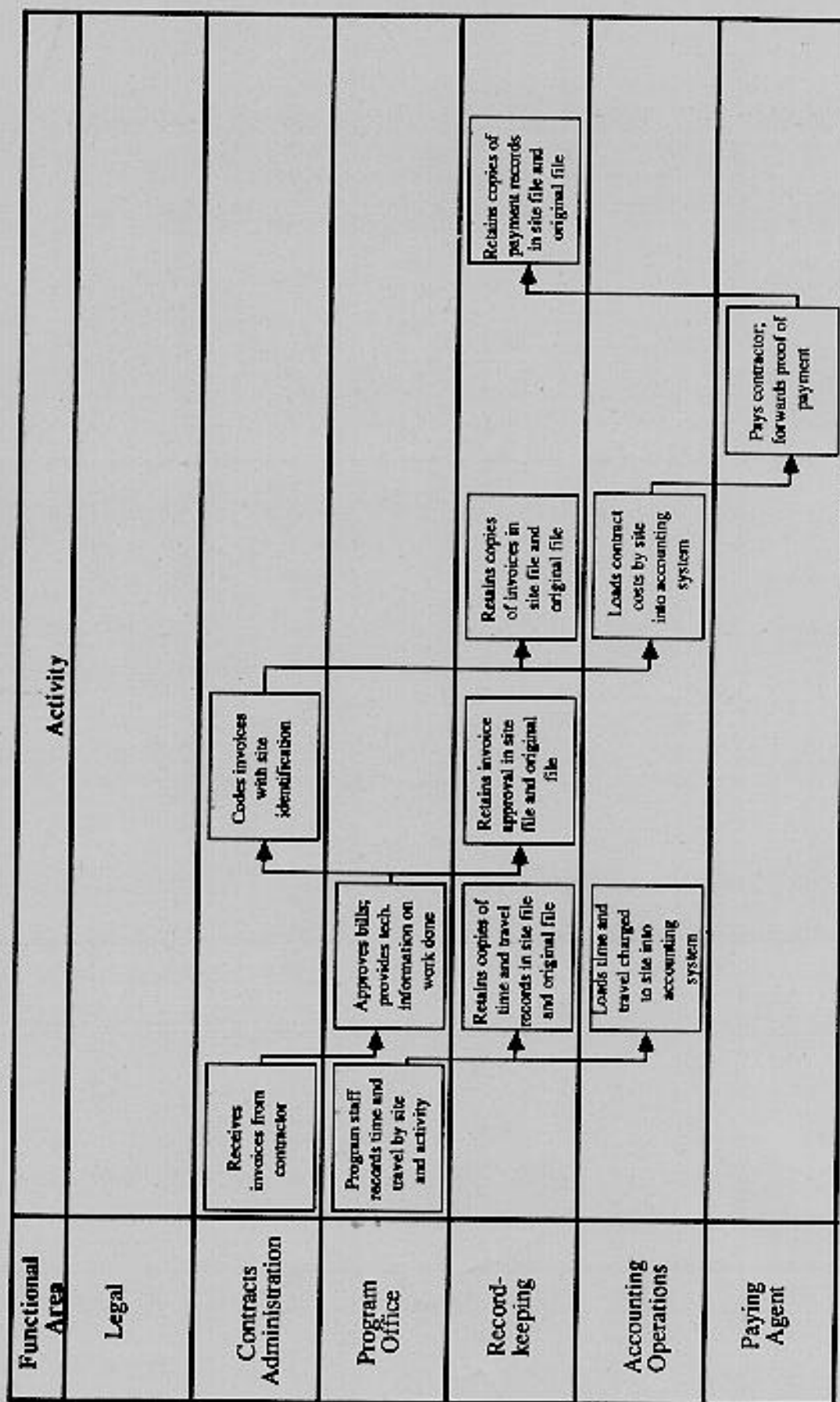
As intended, the exhibit leaves much unsaid about the specific procedures used to ensure that the six functional areas do exactly what they are supposed to, when they are supposed to. EPA's financial management and recordkeeping objectives for Superfund, *which will be incorporated in the special conditions of all IAGs*, have been defined in terms of what Agencies are expected to

accomplish, not how they should be accomplished. Procedures for implementing a system that meets EPA's Superfund financial management and recordkeeping objectives can only be designed by Agencies themselves, although EPA can assist Agencies in implementing cost documentation systems if requested.

Initiation Phase: An Example



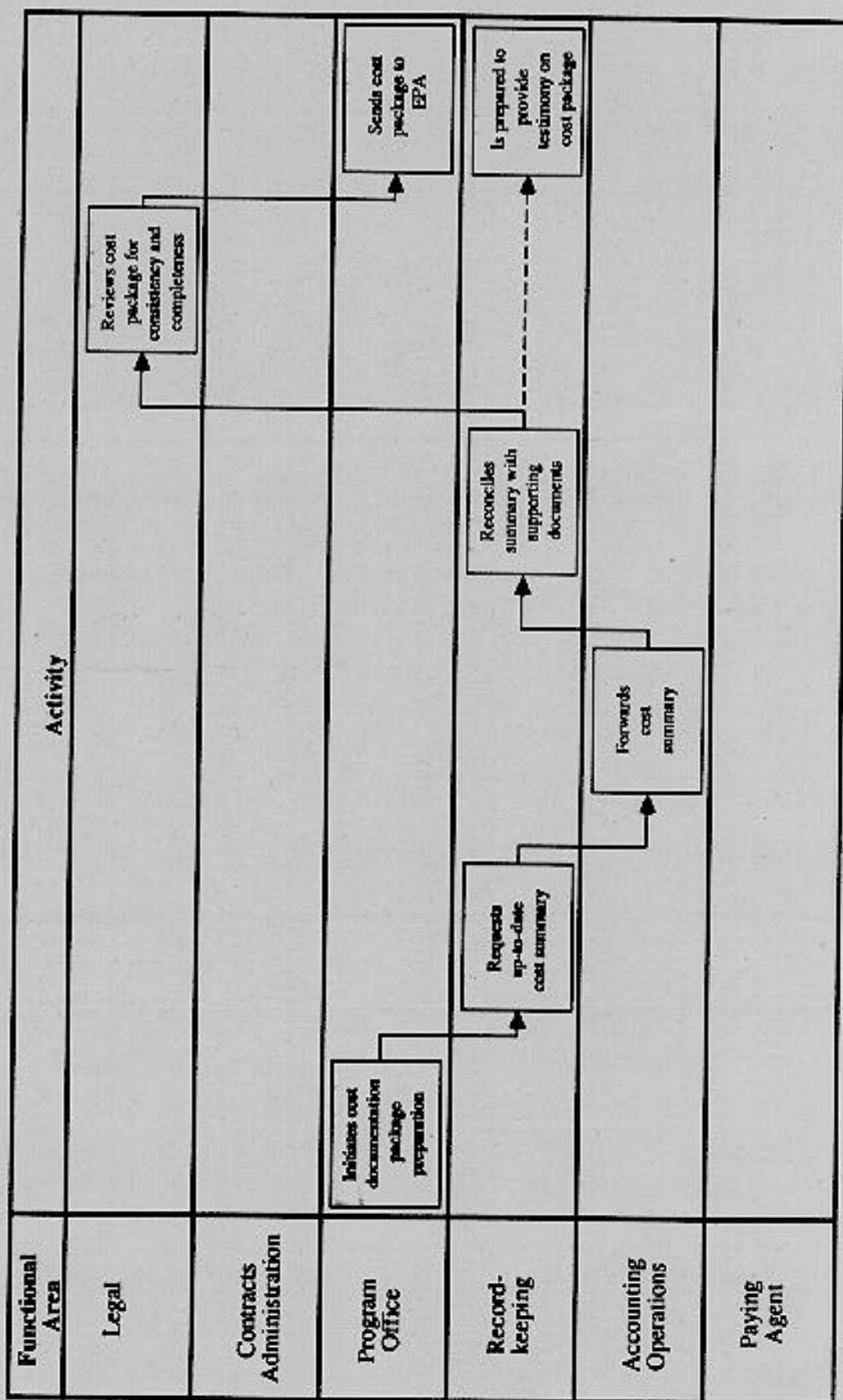
Ongoing Activity: An Example



Ongoing Activity: An Example

Functional Area	Activity
Legal	
Contracts Administration	
Program Office	
Record-keeping	<p data-bbox="987 464 1117 632">Retains copy of SF 1080/1081 or SF 133 in site and original files</p>
Accounting Operations	<p data-bbox="1154 695 1284 884">Sends SF 1080/1081 or SF 133 to EPA</p> <p data-bbox="1154 1220 1284 1409">Produces summary reports of all costs for site</p> <p data-bbox="1154 1472 1284 1661">Adds indirect charges to direct charges</p> <p data-bbox="1154 1724 1284 1913">Computes Superfund-related indirect charges</p>
Paying Agent	

Cost Documentation Package Preparation Phase: An Example



II. FINANCIAL MANAGEMENT GUIDANCE

This chapter provides guidance to Federal Agency management personnel charged with meeting EPA's objective of recording Superfund expenses by site and activity. The Superfund program requires Agency financial management and accounting systems to track expenses by site and activity. This is necessary to ensure that the Federal government can effectively recover its expenses on a site from responsible parties. In addition, site and activity specific accounting information provides a crucial check on the completeness of a Federal Agency's Superfund expense records.

A. OVERVIEW

This initial section provides a general overview of the capabilities Federal Agency accounting systems should have, and discusses the role of accounting and financial management systems in the cost documentation process. The second section of this chapter provides specific guidance on meeting site and activity specific accounting and financial reporting objectives.

1. Superfund Financial Management Objectives For Federal Agencies

The Superfund financial management guidelines presented in this handbook are designed to ensure that site and activity specific expenditure information is available to managers at Federal Agencies, enabling them to file accurate financial reports with EPA, make site-by-site budgeting decisions, and accurately document site cleanup costs. To achieve this goal, Federal Agencies are expected to implement site and activity specific accounting systems. An integral part of those systems are control procedures to ensure that site and activity specific accounting information is:

- Accurate; i.e. that only costs attributable to a site are charged.

- Complete; i.e. that all costs, including allowable indirect costs, attributable to an Agency's Superfund effort are recorded and charged to individual sites and activities.

These two primary objectives are discussed further below.

2. Accurate Site and Activity Specific Cost Information

Financial management offices at Federal Agencies must ensure that site and activity specific accounting information is accurate. Accounting system accuracy problems can be caused by:

- Inaccurate direct labor charging, due to clerical errors or questionable time and attendance reporting practices.
- Incorrect allocation of administrative and overhead costs.
- Inconsistent charging practices, for example, where a cost is charged directly on some IAGs but not on others.

There are two procedures to reduce or eliminate the types of financial management problems described above. First, Agency managers should thoroughly review pertinent financial and IAG management procedures. Secondly, site and activity specific accounting reports should be periodically reconciled to supporting cost records, e.g. timesheets, vouchers, and contractor invoices. Such a reconciliation should be performed at least twice a year.

3. Complete Site And Activity Specific Cost Information

It is crucial for both program management and cost recovery purposes that accounting information provided by an Agency's financial management office record all Superfund costs. In

particular, staff who maintain files of supporting cost documentation rely heavily on accounting information to decide what expense records to obtain and file. Site and activity expense reports serve as a "roadmap" of the costs the Agency has incurred. Expenses that do not show up in accounting reports cannot be adequately documented; moreover, management will be unable to plan for these expenses in its budgeting process.

Given the importance of recording all Superfund expenses, Federal Agency managers should review their financial management procedures to ensure that all allowable costs - as defined by Federal regulations and the Agency's interagency agreement with EPA - are recorded by site and activity in their accounting system. In reviewing Superfund accounting practices and in reading the remainder of this handbook, some distinctions between the various types of costs an Agency's accounting system must process should be kept in mind:

- *Direct costs* are those expenses which are or should be charged to sites using timesheets, vouchers and other site and activity specific records. The second section of this chapter provides specific guidance on which costs should be charged directly to sites.
- *Indirect costs* are expenses that support a Federal Agency's overall Superfund effort but are not directly attributable to individual sites. Within this broad category of costs, it is important to distinguish between two types of indirect costs:
 - *General (Agency-wide) Indirect Costs* are incurred by an Agency in supporting all programs. This category includes common Agency charges for rent, data processing, centralized financial operations and other services, as well as salary costs for top depart-

mental managers. EPA Comptroller Policy Announcement 87-10 provides that Agencies may bill EPA only for indirect costs specifically associated with performance under IAGs; consequently, general or Agency-wide indirect costs are not allowable under Superfund IAGs unless an Agency is specifically authorized by Congress to charge for such costs. (EPA's policy is based on a pronouncement by the U.S. Comptroller General; see 57 Comp. Gen. 674, 681-683.)

- *Superfund Indirect Costs* are administrative and other non-site and activity specific costs associated with an Agency's Superfund program.¹ These costs are billable to EPA as indirect costs under IAGs and recoverable from responsible parties.

Using these distinctions, Agency financial managers can catalog their Agency's Superfund costs, assess whether they are completely accounted for, and develop methods to include all Superfund costs in site and activity specific accounting reports.

B. GUIDANCE

This section presents EPA's accounting and financial management guidance for Federal Agencies participating in Superfund Interagency Agreements. The first part of the section discusses site and activity specific accounting objectives, and provides suggestions on overcoming accounting system software limitations. The two following parts provide specific guidance on accounting for

¹ Some portion of an Agency's Superfund administrative expense is usually paid for by an administrative support (generic) IAG which is recoverable by EPA through its indirect cost model.

direct and indirect costs by site and activity. Information on site and activity specific reporting under Superfund IAGs is provided in the last part of this section.

1. Superfund Accounting Objectives

The primary Superfund accounting objective is that Federal Agency accounting systems should be capable of producing reports for each Interagency Agreement that break out costs by *site*, then by *operable unit*, then by *activity*, and then by the *object class categories* provided for in the IAG. EPA has defined eight activities which are indicated in IAGs and should be used in all cost reports submitted. The activities and their EPA account codes are as follows:

- J - Pre-remedial Activities
- L - Remedial Investigation/Feasibility Study
- N - Remedial Design
- P - Oversight
- R - Remedial Action
- S - Operation and Maintenance²
- E - Removal Action
- 2 - Judicial Enforcement
- U - Laboratory Analysis

In order to produce reports at such a level of detail that are both *accurate* and *complete*, Federal Agency accounting systems should record site, activity and expense class information with each accounting entry for Superfund direct costs. Agencies may use their own accounting codes for tracking costs by site and activity, but the EPA site/spill ID and activity codes should be used in all financial documents sent to EPA.

Many Agencies have developed accounting systems to track expenses by Interagency Agreement number which can readily be adapted to meet Superfund site and activity specific accounting objectives. Many site and activity specific accounting systems reviewed by EPA in the past have calculated direct charges to sites using budgeted, "estimated" or average data, rather than actual salary, travel, and other costs. While these systems may have been used in the past and may still be appropriate, actual costs provide a desirable basis for all reports of direct site charges, and accounting systems that cannot report actual costs by site and activity should be updated (except in those Agencies involved strictly in emergency removal activity, as noted on page 11).

2. Accounting For Direct Costs

Superfund direct costs should be charged to specific sites and activities *on a regular basis*. Some Federal Agencies simply charge all direct expenses to specific sites and activities as the outlays occur. Some Agencies, however, charge direct expenses to a general purpose account, and then make periodic accounting entries to transfer charges from that account to site/activity accounts. If such a procedure is used, direct charges should be "backed out" of general purpose accounts at least monthly, so that the accounting entry is made at roughly the same time the expenses are incurred. The following sections provide detailed guidance on accounting for the major categories of direct costs.

² It is not EPA's policy to fund operation and maintenance of a completed remedy. EPA will, however, fund that part of remedial action, for a period up to one year, to ensure that the installed remedy is operational and functional. EPA will fund the operation of such treatment or measures involved with the restoration of contaminated ground or surface water for up to 10 years or until levels that assure protection of human health and the environment are achieved, whichever comes first. Both of these situations are considered part of remedial action, and therefore, must be funded under the "R" code.

a. Agency Salary Costs

Salaries of staff whose time is to be charged to specific sites should fill out site-specific timesheets for input of site and activity specific charges into the accounting system. A daily log of staff activities kept by appropriate supervisory personnel could be used if timesheets are not available. Once used to enter information into the Agency's accounting system, the timesheet or activity log becomes the primary salary expense record to be retained by the recordkeeping staff. *Staff whose entire salary is included in the cost base for an Agency's indirect cost rate cannot charge any hours directly.* (Agency managers should contact their comptroller's office for information on the composition of their Agency's indirect cost rate.)

b. Travel Expenses

All transportation, meal and lodging expenses incurred traveling to and from sites or on site-specific business should be recorded on a site and activity specific basis. *It is essential that employee timesheets and travel vouchers agree.* If an employee submits a voucher for travel to site X, the employee's time sheet should also show time charged to site X for that day. Inconsistencies between time sheets and travel vouchers make recovery of those costs difficult.

Expenses for travel to multiple sites should be divided among the sites in a logical way and charged directly. Depending on circumstances, travel costs can be charged in several ways. In most cases, apportioning the total travel cost between sites based on the relative amount of time spent at each site is acceptable. An Agency's travel vouchers and travel authorizations should provide space for charges to multiple sites.

c. Equipment Costs

Equipment costs should be charged on a site and activity specific basis. Equipment purchased for use on one site only can of course be charged

entirely to that site (the site should be credited for the salvage value of equipment that does not remain on site as part of the remedy; see section five of this chapter for more information on Superfund property management and disposition). For equipment used on multiple sites, a "usage rate" should be developed. Some Agencies already have calculated hourly or daily charges for certain common types of equipment. For equipment not covered by such standard charges, a usage rate is calculated as follows: if a piece of equipment is expected to last 10,000 hours, and its cost - purchase price plus estimated maintenance less salvage value - equals \$100,000, then the usage rate is \$10.00 per hour. Agencies should set up a voucher system to record by site the hourly usage of each piece of Superfund equipment, and then use the applicable equipment usage rates to calculate direct equipment charges.

d. Supply Costs

Like equipment, supplies used on site work should be charged to the specific sites on which they were used. An inventory log for signing out supplies to individual sites could be used as the basis for site and activity specific supply charges in an Agency's accounting system.

e. Contractor Costs

Contractor costs should also be accounted for on a site and activity specific basis. EPA requires its contractors to submit invoices with costs broken down by site and activity within each site; other Agencies should do likewise. Contractor invoices should be organized in such a way that Agency staff reviewing the invoices for payment can quickly identify which charges apply to which sites, and, if the contractor has not already done so, mark the invoices with designated site codes for input into the Agency's accounting system.

f. Construction Costs (In-House)

In-house construction costs, like contractor costs, should be accounted for on a site and activity specific basis.

g. Other Costs

Costs falling into categories not mentioned above should be accounted for on a site and activity specific basis wherever possible. Agencies should be sensitive to the fact that the cost of developing a site and activity specific charging mechanism may be excessive given the size of some types of miscellaneous expenses.

3. Accounting For Indirect Costs

As discussed in the overview to this chapter, Agency-wide indirect costs are not allowable under IAGs unless specific Congressional authorization for such charges exists. Superfund-related indirect costs are allowable and recoverable, however. In order to include data on these expense items in site and activity specific accounting reports, a methodology for allocating expenses to individual sites is necessary. EPA's policy is that Agencies develop rational, defensible allocation methods for claimed Superfund indirect costs (not reimbursed by EPA on Administrative Support IAGs) so that they can be recouped in the cost recovery process.

Developing a method of allocating Superfund indirect costs to individual sites is particularly critical for those Agencies receiving funding through allocation transfer IAGs. Therefore, Agencies receiving allocation transfers are expected to develop and document cost allocation plans for their Superfund indirect costs. These allocation plans should be structured to allocate *all* Superfund indirect costs to Superfund sites.

4. Superfund Reporting Requirements

Reporting requirements under Superfund IAGs differ from those under other agreements primarily in that financial reports must include site and activity specific expense information. Agencies performing work on a reimbursement basis should file EPA's SF 1080 or SF 1081 as called for

in their IAGs. Reports of expenditures for transfer allocation IAGs are required monthly on EPA's SF 133.

5. Accounting For Superfund Property

Agencies face certain property management and accounting requirements when purchasing property or equipment under a Superfund IAG. EPA will retain title to all property purchased through a Superfund IAG. As a user of EPA property, an Agency must maintain an accurate inventory of such property in its accounting records. Information on purchase cost, location, condition and maintenance must be maintained. At termination of an IAG, EPA must be contacted for disposal instructions for any equipment that is not remaining on site. EPA must receive reimbursement for the fair-market value of any property disposed of or employed by an Agency for non-Superfund activities. EPA's property management requirements for IAGs are discussed in detail in the *Property Management Order* (see Appendix B for reference).

III. RECORDKEEPING GUIDANCE

Federal Agency recordkeeping procedures for Superfund cost documentation are receiving increased attention at EPA due to the growing number of cost recovery actions likely to be initiated in the next several years. This chapter provides guidance to Agency personnel charged with implementing EPA's objectives for the collection, filing and retention of Superfund cost records. It discusses in detail one approach to Superfund recordkeeping which has proven effective at EPA, called active site filing, which we are suggesting that Federal Agencies with Superfund IAGs adopt. (Agencies with administrative IAGs should be aware that the guidance presented here applies to administrative IAG recordkeeping also.)

It is important to note that the cost documentation objectives described in this chapter apply to both the Agency and its contractors. Agencies are encouraged to move their contractors toward adoption of the recordkeeping approach outlined in this chapter through the use of specific language in all procurements.

A. OVERVIEW

Effective recordkeeping procedures are essential to cost recovery. This overview describes the objectives Federal Agency recordkeeping functions are expected to meet, and outlines some of the reasons for EPA's adoption of active site filing as the preferred way to meet those objectives. Suggestions on recordkeeping planning are also provided.

1. Agency Superfund Recordkeeping Objectives

The recordkeeping guidance presented here has two objectives: *first*, a complete set of expense-related records for each site, and *second*, timely access to those site records. As discussed in the introduction to this handbook, incomplete documentation of cleanup expenditures seriously

weakens a cost recovery action. Similarly, EPA and Department of Justice (DOJ) legal staff need speedy access to Agency expense records to pursue cost recovery actions effectively. Frequently, the litigation team requires documentation in less than 30 days.

2. Inability Of Non-Centralized Recordkeeping Systems To Meet Superfund Recordkeeping Objectives

Active site filing, described in detail below, was developed in response to numerous cost documentation problems encountered at EPA. Expense records could not be obtained quickly enough to meet litigation schedules, and they were frequently incomplete. The problems resulted from several factors:

- Records were stored in numerous locations, making retrieval a time-consuming task involving coordination with each location.
- Superfund expense records were commingled with other expense records.
- Records were not stored in a standard order. Timesheets from one EPA Region might be ordered by pay period and employee name, while another EPA Region would order them by section and employee number.
- Required expense records were sometimes not retained due to confusion over who was responsible for their retention.

The problems described above are a by-product of not having a centralized recordkeeping system for Superfund expense records. Active site files and standard agency-wide filing procedures were developed at EPA to centralize the location and standardize the format of Superfund expense records.

3. Active Site Filing

Active site filing is a simple, straightforward solution to many of the recordkeeping problems described above. A unique file or set of files should be set up for each site. As money is spent on the site, expense records are generated, and photocopies of the expense records pertaining to each site should be placed in the active site file for each affected site. The original expense records should then be filed in separate "Superfund original/official document files." In some Agencies, expense records all go to a central record storage site. In such cases, it is advisable to physically separate Superfund records from other Agency records at the storage site, in order to prevent them from being disposed of when other Agency records are "purged." (Retention requirements and micro-filing standards for Superfund originals are discussed at the end of this chapter.)

The importance of the active site filing system becomes apparent when expense records contain charges to more than one site. For those records, multiple photocopies are to be made, one copy for each site-specific file. This will ensure that the original document of a particular multi-site transaction does not become misplaced if the document is frequently needed for numerous cost recovery packages. In order to facilitate quick retrieval of Superfund expense documents, the site files should be all arranged in the same way, and filing procedures should be documented, to ensure that records are filed correctly. A list of the expense records that Agencies would copy for their site files is provided in the second section of this chapter, along with requirements for how long the original expense records must be retained.

EPA has found that active site filing works best if:

- The site files are under centralized control, since they are likely to be better organized if only a few staff members have day-to-day responsibility for updating them.

- Staff responsible for maintaining site files have access to detailed site-specific accounting reports, as a check on the completeness of their files (see "Reconciling Site Files" in the next section).

In summary, after a Superfund site and activity specific document is processed through an Agency's accounting system, the original must be separately filed and reconciled as soon as possible with the accounting system to ensure that charges are correctly processed. In addition, a copy or copies should then be made and filed in the site file. This file should be periodically reconciled for completeness and accuracy.

4. Recordkeeping Planning

A recordkeeping system to meet the objectives described in this chapter cannot be developed without some planning in advance. In developing a recordkeeping system for Superfund expense records, Agency managers need to consider some of the following questions:

- Who should be responsible for collecting and filing records in original and site files?
- Which offices generate the expense documents that recordkeeping staff need to pull and copy for site files and then store in original files?
- How should the expense records be ordered in original and site files?
- What arrangements should be made for cost-effective and safe long-term storage for expense records, once activity at the site has ceased and the files are no longer being updated?
- What measures should be taken to ensure that the site files and originals

files are protected from fire, water and other damage?

- What arrangements should be made to ensure that EPA/DOJ have ready access to the site files?

B. GUIDANCE

This section provides Federal Agency managers with specific guidance on Superfund expense record retention. It discusses what types of documents should be retained by an Agency, ways Superfund document files could be ordered, how long the files should be retained, and procedures for periodic reconciliation of expense records. Much of the discussion in the section revolves around active site filing, the Superfund recordkeeping approach preferred by EPA. Managers at Agencies which elect to use some other recordkeeping approach should read this section carefully, however, since, for oversight as well as cost recovery, EPA is requiring that Agencies have the capability of promptly producing all of the records listed in this section.

1. Establishing Site Files

As discussed in the previous section, active site filing involves the maintenance of a separate set of files for each site and procedures for copying original expense records and filing the copies in the site files.¹ In order to minimize the copying burden on the Agencies which adopt active site filing, EPA has designated certain expense-related records, primarily documents that apply to multiple sites, as exempt from site filing. Exhibit III-1 on the following page lists those documents that Agency

recordkeeping staff should have ready access to, but which should not be kept in site files. An in-depth description of the documents that should be kept in site files follows in the next section.

Whether an Agency adopts active site filing or not, EPA is requiring that its system for keeping Superfund expense records meet the following objectives:

a. Consistent Filing Protocol

All Superfund expense files should be arranged in the same way, and Agencies should develop a single "filing protocol" for Superfund expense records, in both original and site files. In site files, records for the various types of costs should be kept in the same order; for example, the site file might begin with employee timesheets, followed by employee travel costs, followed by contractor invoices, and so on. Within each cost category, records should be filed the same way in original and site files. For example, employee timesheets might be filed by pay period, division, and employee number. Each Agency will have its own filing protocol; what's important is that documents be filed in a consistent order in all expense files that may have to be used in cost recovery.

b. Timely Response To EPA Documentation Request

Agency recordkeeping systems must be able to provide EPA with complete expense documentation for any site the Agency has worked on within deadlines set by each EPA Regional office. Typically EPA allows 30 calendar days for internal compilation of its own, state and contractor costs, so a Federal Agency would be expected to respond to EPA's cost documentation request within that time frame.

2. Records To Be Retained In Site Files

This section discusses in general terms what types of documentation should be copied and filed

¹ While charges to administrative support IAGs may not always relate to any one site, the same types of documentation necessary for a site-specific IAG (payroll, travel, etc.) should be retained to support administrative IAG charges, which are also recoverable from responsible parties (through EPA's indirect cost model). Therefore, it may be helpful to think of an administrative IAG as a "multi-site," and set up an "administrative IAG file" for photocopies of expense records of each site.

Summary Of Documents To Be Retained, But Not In Site Files

AREA OF COST	DOCUMENTS RETAINED
<i>Payroll</i>	<ul style="list-style-type: none">• Position titles of staff• Salary of staff (annual or hourly rate)• Methodology for determining fringe benefit rate• Time and travel policies
<i>Contractor Services</i>	<ul style="list-style-type: none">• Proposal• Contractor cost data• Cost/price analysis of proposal and record of negotiations• Proposal evaluations• Contract• Work orders and change orders• Reports on contractor work• Audits of contractor
<i>Supplies and Equipment</i>	<ul style="list-style-type: none">• Type(s) of materials and supplies furnished• Type(s) of equipment• Contracts• Leases• Purchase orders• Receiving reports• Explanation of "usage rate" or "standard cost rate" calculation
<i>Indirect Costs</i>	<ul style="list-style-type: none">• Explanation of indirect cost rate (each time rate is changed)
<i>IAG and Amendments¹</i>	<ul style="list-style-type: none">• Interagency Agreement (executed copy)• Amendments (executed copies)• Bill/payment records• Correspondence
<i>Administrative IAG Costs</i>	<ul style="list-style-type: none">• All documentation described for categories above (may be for multiple sites)

¹ For IAGs entered into with other Agencies

in active site files; in addition, notation is made as to what documents recordkeeping staff should have ready access to.

Records documenting the following areas should be retained for cost recovery purposes:

- Payroll
- Travel
- Contractor Services
- Construction (In-House)
- Supplies and Equipment
- Indirect Costs

Each category of records is discussed more completely below. Exhibit III-2 on the following page summarizes those records that should be retained in site files.

a. Payroll

Records that show time or attendance of individuals at specific sites should be copied and retained in site files. Subsequent adjustments to any timesheet should be photocopied and clipped to the copy of the timesheet in each site file. Recordkeeping staff should also have available documentation on the position titles and salaries of the staff who worked on that site, as well as up-to-date copies of the Agency's time and travel charging policies.

If the Agency's accounting system does not automatically calculate fringe benefit charges, each site file should contain worksheets showing how fringe benefit charges were calculated for that site. In addition, notation should be made of which Agency official approved the fringe benefit allocation methodology.

b. Travel

The following records relating to travel expenses should be retained in site files: travel authorizations (containing site names) that document the purpose of the trip; travel vouchers submitted by employees showing starting point and destination, transportation method, and the number and name(s) of person(s) traveling; receipts provided by employees showing actual costs incurred (only major receipts need to be included in site files - hotel, airline, car rental, etc.); and proof that the travel vouchers were paid.²

c. Contractor Services

An Agency should be able to completely document its relationship with its contractors. Site files should contain:

- Contractor invoices (contractors should break out costs by site and activity)
- Project officer approval of each invoice
- Proof of payment of the invoices

In addition, procurement or recordkeeping staff should have available the following records for each contractor doing Superfund work for the Agency:

- The contractor's proposal/bid
- The contractor's cost data, submitted as part of its proposal
- Cost/price analysis of proposals received
- Other documents relating to the Agency's evaluation of contractor proposals

² For proof of payment, Agencies need only retain a copy of the Treasury report listing the payment.

Summary Of Financial Documents To Be Retained In Site Files

AREA OF COST	DOCUMENTS RETAINED
<i>Payroll</i>	<ul style="list-style-type: none">• Time attendance records• Time attendance amendments• Worksheet showing fringe benefit calculations (if not calculated by accounting system)
<i>Travel</i>	<ul style="list-style-type: none">• Travel authorizations (if used by the Agency)• Vouchers showing:<ul style="list-style-type: none">Starting point and destinationTransportation methodNumber and names of persons on trip• Receipts (airline, hotel, etc.)• Proof of payment¹
<i>Contractor Services</i>	<ul style="list-style-type: none">• Contractor invoices• Project officer approval of invoices• Proof of payment¹
<i>Construction (in-house)</i>	<ul style="list-style-type: none">• Approvals• Project progress reports• All documentation described above for Agency employees
<i>Supplies and Equipment</i>	<ul style="list-style-type: none">• Invoices• Proof of payment¹• Hourly records of equipment use
<i>Indirect Costs</i>	<ul style="list-style-type: none">• Worksheet showing calculations (if not calculated by accounting system)
<i>Administrative IAG Costs</i>	<ul style="list-style-type: none">• All documentation described for categories above (may be for multiple sites)

¹ Proof of payment must be documented for each expense charged to a site. A copy of the Treasury report listing the payment is sufficient.

- The contract/statement of work
- Work orders and change orders
- Technical progress reports submitted by the contractor
- Agency audits of the contractor

d. Construction (In-House)

Each site file should contain copies of internal work authorizations for work performed at Superfund sites. Progress reports detailing major accomplishments or milestones should also be retained in site files. All documentation described above for Agency employee salary and travel should of course be retained.

e. Supplies and Equipment

Each site file should contain equipment purchase invoices, contractor invoices, or equipment lease bills for all equipment used at the site. Proof of payment records should also be provided in site files. If EPA was charged a "usage rate" for equipment, hourly records of equipment use at the site should be included in the site file.

Agencies should also have available documentation on the type of materials or supplies purchased for use on the site, and copies of purchase orders, receiving reports, leases, and contracts for supplies. For purchased or Agency-owned equipment that is shared between multiple sites, a "usage rate" or "standard cost rate" is calculated, and the Agency should be able to provide a written explanation of how the usage rate was developed for each piece of equipment used on a Superfund site.

f. Indirect Costs

If an Agency's accounting system does not automatically calculate indirect charges for each site, site files should contain copies of worksheets used to make indirect cost calculations.

Recordkeeping staff should also have available documentation on the indirect cost rate used for EPA IAGs (documentation on *each* revision of the rate should be retained).

g. IAG and Amendments (with Other Agencies)

Recordkeeping staff should have access to copies of the executed IAG for each site, as well as any amendments, correspondence, and bill/payment records.

h. Administrative Support (Generic) IAG Costs

Recordkeeping staff should have available a copy of executed administrative support (generic) IAGs, any amendments, correspondence, and bill/payment records. In addition, an "administrative support IAG file" should be set up for timesheets, travel vouchers, equipment information and invoices, and all other relevant records described above. Agency managers should note that these IAGs may cover costs at multiple sites.

3. Reconciling Site Files

To ensure that all active site files are complete, the files should be periodically reconciled with summary reports produced by the Agency's accounting system. This procedure will identify needed records not included in the site files. In order to make reconciliation and subsequent copying of missing documents a manageable task, EPA recommends that active site files be reconciled to accounting system reports at least twice a year.

4. Storage Media And Record Safety Procedures

Agencies should store site files and original files in locations as secure as possible from fire, water and other damage. Once activity has ceased at a site, similar provisions must be made for safe long-term storage of site files. At this time, microfilm copying of inactive site files and original

expense records is allowed by EPA, provided the microfilming meets certain technical standards (see Appendix B for references).

5. Record Retention Requirements

An Agency and its contractors are required to retain the documents described in this chapter for a minimum of ten years after submission of a final SF 1080/1081 or SF 133 for a site, after which the Agency and its contractors *must obtain written permission* from the appropriate regional award official *before disposing of any of the records described in the chapter*.

In the future, Agencies may be requested simply to forward the expense documentation described in this chapter directly to EPA after completion of work at a site. As of the date of publication of this manual, however, EPA does not yet have the capability of accepting Agency Superfund records for permanent storage.

APPENDICES

APPENDIX A**AGENCY LEGAL RESPONSIBILITIES**

As noted in the introduction, claims for expenses incurred by a Federal Agency under a Superfund IAG can be questioned in litigation. Unless both parties "stipulate" in advance as to the correctness of the Agency's expense claims, which is extremely unlikely, legal counsel for the responsible party is entitled to review the evidence that constitutes or backs up the Agency's claims, while the government's lawyers are allowed to introduce documents and testimony in proof of those claims. Information on the Agency's expenses under the IAG can be included in the court record in four ways:

- Interrogatories
- Affidavits
- Depositions or trial testimony
- Review of expense documents

Federal Agency responsibilities in each of these areas are described below.

A. Interrogatories

Interrogatories are a written set of questions submitted by either party in a lawsuit to the opposing party. Such questions are part of the pre-trial "discovery" portion of the litigation. Unless improper under applicable legal rules, the questions, which may be broadly-worded, must be answered. In a cost recovery case, questions directed to Agency recordkeeping and financial management staff generally will be directed toward identifying the nature of documents submitted in the Agency's cost recovery package and the process used to compile that package. EPA or DOJ legal staff litigating a cost recovery case will generally coordinate responses to interrogatories.

B. Affidavits

Affidavits are written statements of fact based on personal knowledge that are made under oath. Federal Agency financial management and recordkeeping staff may be asked by EPA or DOJ legal staff to prepare affidavits on recordkeeping practices and site expenditures that can be used as evidence to support elements of the Agency's cost documentation package.

C. Depositions or Trial Testimony

A deposition is typically an oral question and answer session, completed under oath, that is admissible as evidence in court. In a cost recovery action, the potentially responsible parties may depose Agency financial management or recordkeeping staff. Alternatively, this testimony may be required during the trial itself. Attorneys for the responsible party will want to question Agency staff in order to highlight any weaknesses in the cost documentation package.

Witnesses for the cost documentation portion of a CERCLA cost recovery case are typically asked detailed procedural questions about how the Agency calculated various types of costs. If the cost documentation provided to the court falls short in any area, the witness will be asked about those points.

Cost records that meet the requirements discussed in this handbook section make the witness' job easier. Effective preparation is also important. The witness should be thoroughly familiar with the portion of the cost documentation package he or she is to testify on, especially the more complex parts of the package, such as the methodology for calculating equipment usage rates, or procedures used in preparation of cost summaries. Any Federal Agency employee scheduled to be deposed should be accompanied by an EPA or DOJ lawyer, and any Agency activities in connection with a cost

recovery case should be coordinated through the appropriate EPA Regional Legal Counsel.

D. Review Of Expense Documents

Attorneys for the responsible party are entitled to review and obtain copies of all Agency records that are not protected by a legal privilege. If the Agency receives a request for production of documents, it must contact EPA's office of Regional Counsel in the applicable region. Certain types of personal and business information often contained in cost documents are protected under Federal laws and regulations, however. To protect such information, EPA or DOJ legal staff may petition the court to be allowed to exclude documents containing such information from the package to be delivered to opposing legal counsel, or they may block out sensitive information contained in the documents, a process called "redacting." The following types of information are protected:

1. Personal Information

The Privacy Act governs disclosure of information relating to individuals (see Appendix B for reference). In general, non-business information contained in Agency records is protected from disclosure. The following list, which is not all-inclusive, identifies the kind of information that should be removed from documents given to opposing legal counsel:

- Social security numbers
- Credit card numbers
- Type of credit card
- Home addresses
- Home telephone numbers
- Non-business calls on personal telephone bills

- Drivers license numbers
- Comments on travel vouchers
- Vacation and sick leave balances
- Timecard or timesheet comments
- Coded information on the front of time-cards

2. Business Information

EPA's regulations governing the disclosure of business information are contained in 40 C.F.R. Part 2, Subpart B, "Confidentiality of Business Information." Many Agencies have regulations protecting business information similar to EPA's. Any information that would allow a competitor to deduce an Agency contractor's actual costs is generally considered confidential by the contractor. Invoices and cost data submitted with proposals typically fall under the protection of the regulations, although other documents may also.

APPENDIX B**WHERE TO GO FOR FURTHER INFORMATION**

This appendix provides Federal Agency managers with information on available reference materials. The appendix lists and gives a brief synopsis of the EPA and other Federal reference materials that could be useful to Agency managers.

The references listed below contain information that Agency managers can use to develop their approach to the financial management and recordkeeping guidance presented in this handbook. Some of the manuals do not specifically address Federal Agency guidance issues, but they contain useful background information. Most of the references listed can be obtained through the EPA's regional offices or by contacting EPA headquarters directly. Materials published by other government Agencies can be obtained by calling the Agency directly; legal references can be obtained through Agency legal departments. Suggested reference sources are as follows:

A. Interagency Agreement Policy And Procedures Compendium

This EPA manual provides policy guidance and detailed procedures for headquarters and regions on administering IAGs.

B. Assistance Administration Manual, Chapter 51

This EPA manual describes specific requirements for all EPA assistance recipients; Chapter 51 contains general instructions for EPA headquarters and regions on administering IAGs.

C. Financial Management Procedures For Documenting Superfund Costs

This EPA manual, known as the Blue Book, provides complete information on Superfund le-

gal, accounting, financial management and recordkeeping requirements. The Blue Book was written for the ten EPA regional financial management offices and can be used for general background information on Superfund financial management and recordkeeping requirements.

D. Financial Management Procedures For Processing Superfund Interagency Agreements

This EPA manual provides guidance on initiating and processing Superfund IAGs.

E. Internal Control Review Program For Superfund Financial Management

This EPA manual provides guidance to EPA financial managers in planning, conducting and implementing the results of their Superfund internal control reviews.

F. Superfund Program: Regional Interagency Agreement Handbook

This EPA manual will contain copies of national MOUs and model IAGs for EPA regions to use in initiating IAGs.

G. Resource Management Directive System 2550 D

This EPA manual provides agency-wide policies and procedures for the Superfund program.

H. Property Management Order

This EPA manual will provide comprehensive property management guidance to Agencies participating in Interagency Agreements with EPA.

I. Federal Rules of Evidence

The body of rules relating to the admissibility

of documents as evidence in Federal court proceedings is called the Federal Rules of Evidence, and can be found under Title 28 of the United States Code (28 U.S.C.).

J. The Privacy Act

Federal requirements for the protection from public disclosure of personal information can be found under Title 5 of the United States Code (5 U.S.C.). Specific Agency recordkeeping requirements under the Act can be found at 5 U.S.C. Section 522.

K. Hardcopy Standards Set

The American National Standards Institute sets technical standards for microfilming of records that should be followed by Agencies wishing to microfilm Superfund expense documents. The complete set of microfilm standards, called the *Hardcopy Standards Set*, is available from:

Association For Information And Image
Management
Suite 1100
1100 Wayne Avenue
Silver Spring, MD 20910
(301) 587-8202

Also the Federal Microform Technical Requirements (promulgated by the National Archives) should be referred to.

Agencies with specific questions not answered in the materials listed above should contact EPA directly. The Agency's contacts at EPA regional offices can offer assistance, or one of the headquarters offices below may be contacted:

- Superfund Accounting Branch, Office of the Comptroller (accounting and records management issues)
- Grants Information and Analysis Branch, Office of Administration (IAG

policy issues)

- Resources Management Section, Office of Solid Waste and Emergency Response (IAG policy and financial management issues)

APPENDIX C

AUDITS

Under the Superfund Amendments and Reauthorization Act of 1986 (SARA), Federal Agencies with designated responsibilities under the Act are required to perform an annual audit of all transactions involving the Trust Fund. The following Agencies have specific designated authorities:

- Department of Health and Human Services
 - Agency for Toxic Substances and Disease Registry
 - Public Health Service
 - National Institutes of Health
- Federal Emergency Management Agency
- Department of Transportation
 - U.S. Coast Guard
- Department of Justice
- Department of the Treasury
 - Internal Revenue Service
- Department of the Interior
- Department of Energy
- Department of Labor
- Nuclear Regulatory Commission
- Environmental Protection Agency

In addition, Agencies *without* designated authorities which perform work for EPA under Inter-agency Agreements may also be required to perform *annual* audits of Trust Fund transactions. Agencies falling into this category include:

- Department of Commerce

- National Oceanic and Atmospheric Administration

- Department of Defense
 - Army Corps of Engineers
 - Navy
 - Air Force
- Library of Congress
- Department of Agriculture
- Action
- National Aeronautics and Space Administration

Audits required by SARA are concerned primarily with financial transactions involving the Trust Fund. Audits may touch on some or all of the following subjects:

- Documentation of claimed expenditures
- Internal control procedures
- Procurement
- Indirect costs
- Property acquisition and management

Each of these subjects is discussed in detail below.

A. Documentation of Claimed Expenditures

Audits will investigate whether Agency recordkeeping systems are capable of providing supporting documentation for expenditures charged against the Trust Fund (either directly or through an IAG with EPA).

B. Internal Control Procedures

Agency procedures for monitoring and controlling expenditures charged against the Trust

Fund may be examined during an audit. The Agency's funds control process and internal reconciliation procedures may be reviewed in detail.

C. Procurement

The Agency's compliance with the Federal Acquisition Regulation (FAR) on procurements involving Trust Fund monies may be reviewed by Agency auditors. A review of the procurement function would focus on topics such as competitive bidding procedures and records of bid evaluations.

D. Indirect Costs

Charges for indirect costs billed to EPA under IAGs will be reviewed for compliance with the Economy Act of 1932 (31 U.S.C.A. 1535) and EPA Comptroller's Policy Announcement 87-10, which state that only indirect costs specifically arising from performance of the IAG are billable.

E. Property Acquisition and Management

Agency procedures for acquiring property with Trust Fund monies, and the subsequent management of that property, may be examined by auditors. Records of acquisition, property inventory records and property disposal practices may be reviewed.

Accounting

- system capabilities for Superfund 11, 12
- procedures for 13-15
- by site 13
- by activity 13
- by object class category 13

Active site files - see also, "Recordkeeping"

- contents 18-22
- background on 16
- filing procedures 17-18
- microfilming 22, 27
- how long to retain 23

Activities, description of 13

Affidavits 24

Audits

- timing 28
- authority for 28
- procedures for scheduling 28
- topics covered 28-29

CERCLA

- reauthorization 1
- cost recovery 1

Confidential Information

- general procedures for protecting 25
- types of information protected 25

Contractor Costs

- accounting for 14-15
- keeping records of 20-21
- how contractors should invoice 14

Administrative (generic) IAGs

- keeping records of expenses under 22

Depositions 24-25

Direct Costs

- description of 13
- categories of 14-15
- accounting for 14
- keeping records of 18-22

Equipment

- accounting for 14
- keeping records of 22
- storage and disposition requirements 15, 26

Financial Reporting

- types of reports required 15
- frequency of reporting 15
- reporting costs by site 15

Fringe Benefit Costs

- accounting for 20
- keeping records 20

Indirect Costs

- accounting for 15
- keeping records of 22

Interrogatories 24

Labor Costs

- accounting for 14
- keeping records of 20

Materials - see "Equipment"

Microfilming

- when permitted 22
- technical standards 27

Original Expense Records - see "Recordkeeping"

- filing procedures 17
- microfilming 22
- how long to retain 23

Payroll - see "Labor Costs"

Privacy Act - see "Confidential Information"

Reconciliation

- procedures 6, 11-12
- importance to cost recovery 6

Recordkeeping

- importance for cost recovery 4
- procedures 18-22
- acceptable storage media 22
- retention requirements 23
- planning for 17-18

Record retention - see "Recordkeeping"

Redacting 25

References 26-27

SARA 1

Travel Costs

- accounting for 14
- keeping records of 20